



Recommendation

Board of Supervisors

RE: Initiate a 457B retirement plan with CBIZ InR

Date Presented: October 7, 2020
Prepared By: Amy Heinrich

Recommended Motions:

Motion to approve creation of a new 457B retirement plan via CBIZ InR and to authorize Eden Ratliff and/or Amy Heinrich to execute any required contracts or paperwork for the plan.

Background and Analysis:

The Township has offered a retirement savings plan with a Township match for many years. As discussed at several Board meetings previously, we discovered in 2019 that the Simple IRA legal vehicle that was being used was not appropriate for municipalities. We petitioned the IRS via a Voluntary Correction Program to relieve the Township and its employees from any tax consequences and/or penalties. This Program was recently approved by the IRS. We are now free to open a new retirement plan, allow employees contributions, the Township match and offer a rollover option to those employees that were in the Simple IRA.

We have identified CBIZ InR as our recommended provider. CBIZ InR offers Vanguard Index funds embedded in a low-cost plan structure. They have been highly recommended by other townships and police departments. Vanguard has an excellent reputation with very low-cost index funds that are rated well and have performed well vs. their benchmarks. The embedded expense ratio of the Vanguard funds average .09% with some as low as .05%. The only downside is that we can't choose from a pool of actively managed mutual funds. The cost to the Township is \$20 per participant per year. We do offer a match but that is budgeted separately and a separate decision from the plan provider. There are modest fees of .60% embedded in the performance of each employee's portfolio on top of the low expense ratios mentioned above.

In order to come to the recommendation above, we conducted an extensive review of plans available through various financial services companies. While the concept is similar to a 401K, due to the small size of local municipalities and their 457B plans, the marketplace is not as well developed or as efficient. There were several providers that declined to give a proposal given our size and others that did not respond to our inquiries. We even had a broker help with limited success. In total, we received proposals from seven providers. The providers that we chose not to adopt had one or more of the following issues. Most of the providers have high flat and/or embedded fees. Some providers are managing their own mutual funds, which is costly if not at scale. Others charge high fees on top of already high expense ratios for mutual funds managed by other known investment companies. The investment choices are limited, have historically under-performed benchmarks and/or not rated favorably by Morningstar. The vehicles offered by insurance companies are typically within an Annuity structure which come with additional complications and limitations, such as withdrawal limitations beyond that of other retirement plans. Lastly, we have found bad reviews on some providers.

We will receive CBIZ InR plan documents next week and need to move forward quickly with implementing the program in order to enable contributions in the 2020 tax year.